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Guatemala

Coffee Annual

Tastes Great, but less Filling -- Less Production & Exports

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Report Highlights:

Coffee production for marketing year 2014 (October 2013-September 2014) is forecast at 3.88 million bags, eight percent below the level of MY-2013. Total bean exports are forecast at 3.50 million bags, ten percent down from previous year, with a steady decreasing trend in the short and medium terms. For the first time, coffee leaf rust (fungus) is reported at altitudes above 5,000 feet. Coffee rust epidemics have just started to hit the coffee sector in Central America, and Guatemala is no exception.

Executive Summary:

Coffee production for MY-2014 (October 2013-September 2014) is forecast at 3.88 million bags, eight percent below MY-2013 production. Export volumes for MY-2014 are forecast at 3.50 million bags, ten percent below MY-2013. The industry has been hit hard by the coffee rust epidemics, which is not solely related to climate change, but also to poor crop management and cuts to research. Guatemalan coffee is being marketed almost exclusively as a specialty product. "Specialty" is a characteristic conferred by coffee genetics. At least 90 percent of the specialty coffees in Guatemala have their origins in the Arabica species and its corresponding varieties and hybrids, which happen to be highly susceptible to coffee rust. Climate change might explain adaptation of coffee rust fungus to altitudes above 5,000 feet above sea level, not previously reported in the region.

Poor investment in research, technology transfer, and monitoring at the production level, has made evident the precarious condition of the coffee sector in the region, posing tremendous challenges for the sustainability of the specialty coffee sector worldwide. The World Coffee Research (WCR, housed at the Borlaug Institute in Texas A&M University), with support of USDA, USAID, and the National Coffee Association in Guatemala (ANACAFE), held a Coffee Rust Summit during April 2013, to bring together technical experts to develop short, medium, and long term strategies for the sustainability of the specialty coffee sector. (See GAINS report, WCR meeting on Coffee Leaf Rust in Central America_Guatemala_Guatemala_4-24-2013).

Commodities:

Coffee, Green

Production:

(See PS&D Chart, below)

Post forecasts coffee production in MY-2014 at 3.88 million bags, eight percent below Post's MY-2013 estimate. Volatile international coffee prices, and increases in fertilizer and pesticide costs, have undercut growth. Irregular rainfall patterns have affected bi-annual production. Coffee leaf rust is negatively impacting production of coffee in Guatemala and the rest of Central America. Given the fact that more than 95 percent of the plantations are old (near or past their peak productive age) the trees' capacity to respond to rust infection is seriously diminished. Severe infestations like the one reported during 2012-2013 basically result in plants with few or no leaves, therefore negatively impacting production.

Coffee rust epidemics have co-existed with the coffee plantations in the region since 40 years ago. Traditional coffee farms sprayed copper based fungicides, together with systemic ones to control coffee rust. Organic coffee farms rely exclusively on copper based fungicides. Both types of fungicides are effective against coffee rust control, if and only if application is done at the right time, which is at the

beginning of the rainy season. Once the fungus has surpassed a certain population threshold, control is poor.

Even though the fungus has no preference for small or big farms, the control and response capacity of big farmers is significantly superior to that of small farmers; big farmers are in a financial condition to support fungicide application. Although credit is available for the small farmers, experience has shown that coffee prices are too volatile and past debt financing has resulted in bankruptcy. Despite the financial capability of the big farmers, conversion of coffee plantations into more profitable options is a definite trend. Small farmers face the greatest challenges on supporting specialty coffee production, as conversion of their plantations into other potential options imply capital investments they don't have.

For many of the small farmers, especially those in the organic industry, complete pruning ("stumping") might be the only option for rust control. However, heavy pruning implies a 3-year period without production -- which affects their main (too often, only) source of income. Coffee production in Guatemala provides incomes for 90,000 households, 45 percent of which produce on less than 1 hectare of land.

To address regional and country-specific needs, a strategic and coordinated action plan needs to be implemented for the short, medium, and long term. In the short term, national governments, in coordination with their Coffee National Associations and Cooperatives, have assigned a large (somewhere between $10-40 million, depending on data source) amount of money to supply small and medium sized farmers with fungicides and spraying equipment. Given the food security implications, both the associations and cooperatives, with support of the government extension agents in Guatemala, have declared coffee rust combat as the country's main priority.

In the medium term, actions required to supply producers with rust resistant coffee materials are the next big steps. USDA, back in the 1950's supported the Tropical Agronomic Center for Research and Education (CATIE), creating a coffee genetics bank. After a 15- year research project, rust resistant varieties were developed and validated in the field. Although CATIE has done a great effort to continue supporting research and maintaining the coffee collection, limited funding has not allowed CATIE to scale up volumes of rust resistant trees. At least a $1.2 million investment per year would be required to raise seedling numbers for a 10 percent supply of rust resistant trees for the region. The overall effort would require a 10-year development program to renovate (replant) old plantations in the region.

Parallel to scaling up volumes of existing materials, the new World Coffee Research (WCR) initiative, with financing from the U.S. coffee exporters, will be running DNA sequence mapping of Arabica's material from different sources, mainly CATIE's collection, to test for true genetic resistance. The existing Central American coffee plantations are too homogenous, with low genetic variability, increasing susceptibility to rust and other diseases. The possibilities of finding (or developing) new coffee varieties with the same high cup of quality characteristics – and broad disease resistance -- is a considerable challenge, which will take its time.

Post Biotech Editorial Comment: It is unfortunate that consumers are not yet ready to value the state of science and biotechnology potential. Genetically engineered coffee, with high quality characteristics, combined at the same time with agronomic advantages such as pest and disease resistance, is the best long term bet that the specialty coffee industry could make. Given the limitations of chemical applications in organic plantations, GE coffee would perfectly match the desire to have high quality

(taste) characteristics, without the need to use contaminating chemicals (such as the copper based fungicides currently approved for use with organic coffee). End Post Biotech Comment.

Consumption:

Consumption estimates for MY-2013/14 are 600,000 bags, a considerable increase of coffee consumption in Guatemala, elevating consumption to 2.4 kg per person. Guatemala has many new coffee shops and high quality coffee consumption is already a standard at the restaurants and hotels.

Imports of coffee extracts, essences, and concentrates are now mainly sourced from Mexico, Nicaragua, Brazil, Chile, and the United States.

Trade:

High altitude coffee represents 87 percent of the Guatemala coffee production, establishing a clear marketing pattern which starts in October, scaling up to Feb-Jun as the heaviest flow months, till September, which ends the season. The export trade matrix, on a marketing year (MY) basis reflects that the United States continues as Guatemala's biggest export market, accounting for about 40 percent of its total coffee exports. The European Union (EU), as a block, continues to be a significant buyer of Guatemalan coffee, accounting for 30 percent of Guatemalan exports. Guatemalan coffee exports to Japan, Germany, and Canada, dropped roughly 30 percent.

Export Trade Matrix
MY 2011/12 and 2012/13

Export Trade Matrix			
Country	Guatemala		
Commodity	Coffee, Green		
Time period	MY	Units:	60 Kg bags
Exports for:	2011		2012
U.S.	1,933,000	U.S.	1,743,000
Others		Others	
Japan	726,000	Japan	511,000
Germany	428,000	Germany	320,000
Canada	448,000	Canada	294,000
Other European Countries	1,063,000	Other European Countries	698,000
Total for Others *	2,665,000	Total for Others *	1,823,000
Others not Listed	210,000	Others not Listed	573,000
Grand Total	4,808,000	Grand Total	4,039,000
* Total others is Other than U.S.			

Selling Guatemalan coffee as a “specialty coffee” is a must if farmers wish to survive and make better profits in a volatile market; especially with a production structure where 45% of the producers are small farmers with less than 1 Ha of land. Certifications as those with Rainforest Alliance are critical to improve the marketing possibilities of small coffee producers in Guatemala.

Stocks:

Post's updates estimated MY-2013/14 ending stocks to reflect the coffee leaf rust impact.

Policy:

In 1990, the Guatemalan Government authorized a US$100 million trust fund to assist coffee farmers during the price crisis. The trust fund has been managed by ANACAFE, and is operational for the years 2001-2016. The trust fund has provided financial assistance to coffee farmers at relatively low interest rates. Given the coffee rust challenges, the Government of Guatemala has supported the coffee producers by lowering the interest rate down to 2-3 percent and is considering extending the operational time for another ten extra years, to support renovation (replanting) of the coffee plantations.

ANACAFE is aware of the need to re-think the coffee strategy of Guatemala. They plan to renew their original policy by including more investments in research, technology transfer, extension work and credits to support the small farmers, including a component for agricultural diversification. Such a refreshing approach is critical for the survival of the industry, and is business-wise.

Marketing:

ANACAFE has a very active marketing program focusing on the high quality and the variety of its coffee. ANACAFE's marketing strategy includes differentiating its various designated varieties by special colorful and easily recognizable packaging.

Varieties include Rainforest Cuban, New Oriente, Antigua Coffee, Fraijanes Plateau, Volcanic San Marcos, Traditional Atitlan, Highland Huehue, and Acatenango Valley. This approach was possible through the creation of coffee profiles based on geographic analysis of specific regions to ensure coffee traceability to origin for high valued sales.

For more details, please visit www.guatemalancoffees.com, which has become a valuable platform to promote one-on-one proximity in between international buyers and local sellers. The website includes a coffee search system that can provide detailed information of the different farms, which can be enhanced through Google Earth maps, to learn about detailed characteristics of the farms and direct contact information.

Production, Supply and Demand Data Statistics:

Guatemala Coffee
Production, Supply, and Demand

Coffee, Green Guatemala	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	280	0	280		280
Area Harvested	0	276	0	276		252
Bearing Trees	0	900	0	912		810
Non-Bearing Trees	0	72	0	60		90
Total Tree Population	0	972	0	972		900
Beginning Stocks	199	199	59	176		122
Arabica Production	3,850	4,400	3,840	4,200		3,865

Robusta Production	10	10	10	10		10
Other Production	0	0	0	0		0
Total Production	3,860	4,410	3,850	4,210		3,875
Bean Imports	25	1	25	1		1
Roast & Ground Imports	0	5	0	5		10
Soluble Imports	150	199	125	200		210
Total Imports	175	205	150	206		221
Total Supply	4,234	4,814	4,059	4,592		4,218
Bean Exports	3,775	3,864	3,650	3,800		3,450
Rst-Grnd Exp.	0	0	0	0		0
Soluble Exports	0	175	0	70		50
Total Exports	3,775	4,039	3,650	3,870		3,500
Rst,Ground Dom. Consum	200	400	200	400		400
Soluble Dom. Cons.	200	199	175	200		200
Domestic Use	400	599	375	600		600
Ending Stocks	59	176	34	122		118
Total Distribution	4,234	4,814	4,059	4,592		4,218
1000 HA, MILLION TREES, 1000 60 KG BAGS						

Source: ANACAFE and Post Estimates